



# County of Los Angeles

## CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN  
Chief Administrative Officer

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Fifth District

February 8, 2006

To: Mayor Michael D. Antonovich  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
From:   
David E. Janssen  
Chief Administrative Officer

### E-COMMERCE STATUS REPORT

This is the sixth report on the status of implementation of the County's E-Commerce initiative. This report specifically provides an update on the progress of contract negotiations to procure Internet-based credit card processing services.

On December 23, 2005, we advised your Board that the Internal Services Department (ISD) terminated negotiations with the highest ranked vendor due to several critical factors. Primarily, the vendor insisted on a minimum transaction volume which the County could not guarantee. In addition, the County's technical team was not satisfied with certain technical aspects of that vendor's E-Commerce solution. We also reported that ISD commenced negotiations with the second ranked, lowest cost vendor, as allowed in the Request for Proposals. Since our last status report, an ongoing due diligence review of the second ranked vendor has caused ISD and the E-Commerce Task Force to become increasingly concerned about the County doing business with the second ranked vendor without its indirect parent company agreeing to be a party to the contract. The Auditor-Controller reviewed the audited financial statements of the indirect parent company for the year ending December 31, 2004, and also reviewed a Dun and Bradstreet report indicating the company's financial condition as of September 30, 2005. Based on the review, the indirect parent company appeared to be in good financial condition as of the dates indicated.

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On January 25, 2006, ISD notified the second ranked vendor that the County will continue contract negotiations only if that vendor's indirect parent company will be equally responsible with the vendor under any resultant contract. On February 2, 2005, ISD received notification that the indirect parent company will sign a tri-party agreement. As a result, contract negotiations are continuing. However, if it appears that an agreement cannot be reached, ISD intends to initiate negotiations with the third ranked vendor, as allowed in the Request for Proposals. We will report back to your Board shortly with the outcome of the current negotiations.

Please feel free to call me, or your staff may contact Chiu Lee at (213) 974-1261 if you have any questions.

DEJ:DIL  
DD:CL:kd

c: Executive Officer, Board of Supervisors  
County Counsel  
Auditor-Controller  
Chief information Officer  
Director, Internal Services Department  
Treasurer and Tax Collector